

SPECIALTY TERMINAL MARKETING STUDY

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Specialty terminal

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# SPECIALTY TERMINAL MARKETING STUDY

Prepared For:

INTERNATIONAL BUSINESS MACHINES CORPORATION  
SYSTEMS COMMUNICATIONS DIVISION

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MARCH 1980

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## ABSTRACT

### SPECIALITY TERMINAL MARKETING STUDY

This study examines the quantity discount policies and marketing practices of some of the major vendors of banking systems and factory management systems. The results of the study concerning each type of system are reported on separately. Both markets are purchase markets from the vendor viewpoint. Both types of systems are sold directly to end users. Both types of systems can carry discounts on terminals up to 25% in large quantities. No differences were found in the marketing practices or discount policies between teller terminal systems and ATM systems. One vendor reported a different discount schedule between banking terminal systems and bank inscribing systems. Few OEM relationships exist in either of these markets. Two of the vendors interviewed as suppliers of factory management systems are major OEM suppliers, however, both place restrictions on the sale of factory management systems to resellers. One will only permit it if the factory system is part of a larger system whose components are available on an OEM basis. The study is in presentation format.

# SPECIALTY TERMINAL MARKETING STUDY

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# SPECIALTY TERMINAL MARKETING STUDY

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## I INTRODUCTION



## I INTRODUCTION

### A. OBJECTIVES

- This report was prepared by INPUT as a custom study for the IBM Banking Systems and the Factory Management Systems Groups in Charlotte, North Carolina. Both groups are part of the IBM System Communications Division, headquartered in Harrison, New York.
- The objectives of this study were to:
  - Determine volume procurement marketing practice with respect to financial systems and factory management systems.
  - Obtain quantity discount prices and list prices where possible.
  - Explore volume procurement policies with respect to:
    - "Effective" discounts.
    - Maintenance rates and policies.
    - End of product life contract provisions.
    - General contract terms and conditions.

- The results of the study on financial systems are reported separately from the results on factory systems.

## **B. METHODOLOGY**

- A suggested list of questions to be part of the questionnaire was prepared by the appropriate IBM groups and discussed with INPUT at a joint meeting in Harrison, N.Y. The resulting questionnaire is in the Appendix.
- IBM also presented to INPUT a list of the vendors to interview and a list of systems that were to be referenced in the interview.
- Telephone interviews were the primary data gathering methods used for this study.
  - Difficulty was encountered in obtaining information from some vendors via the telephone, so some local on-site interviews were conducted.
- Home office locations were called initially.
  - Frequently INPUT was referred to branch or regional specialists for the specific types of systems involved.
- INPUT was identified to all respondents as a consultant.
- IBM was never identified.
- To assure vendor privacy, the respondent letter code refers to a different respondent on each of the exhibits.
- Chapter III summarizes the results for financial systems and Chapter IV does the same for factory systems.



- An oral presentation was made to IBM in Harrison, New York on March 8, 1980. Chapters III and IV represent the bulk of the material presented.



## II EXECUTIVE SUMMARY





## II EXECUTIVE SUMMARY

### A. KEY CONCLUSIONS

#### I. FINANCIAL TERMINAL SYSTEMS

- Systems are sold to end users primarily.
  - Some OEM agreements do exist, but there is no trend in this direction at this time.
- Discounting is standard throughout the industry, and can go as high as 25% on terminals without special quotations.
  - The usual discount allowable without home office intervention is around 7-10%.
  - Most respondents determine discounts by the total dollar volume of the order and indicated no difference between teller terminals and ATMs.
  - Two of the responding vendors discount on a units basis:
    - One only markets ATMs, so the differences between terminal types is irrelevant.

- The other indicated no discount schedule differences between teller and ATM estimates, but did offer lower discounts on bank back office systems using inscribers.
- It is a purchase marketplace.
  - Only two vendors lease systems directly to the end users. The others use leasing companies.
  - One vendor that leases directly to end users will not lease wall-mounted ATMs because of the construction repair problems at the end of the lease.
- Software is not discounted officially.
  - Some respondents use the software prices to help maintain profit margins on the total system.
  - In some cases, software would be discounted if absolutely necessary for the sale. The easiest way is to include the dollars for software in the total dollar volume for determining the discount level.

## 2: FACTORY MANAGEMENT SYSTEMS

- Most sales are directly to end users.
  - Those respondents having a substantial OEM business exclude factory management systems from OEM eligibility unless the factory system is submerged into other eligible systems.
- Discounts are easily available and on terminals can be as high as 25% with special approval.
  - At the 50 terminal level, the usual discount is in the 10-15% range.

- One responding vendor officially discounts software.
- "Effective" discounts are never "officially" offered, but they can be selectively available when absolutely necessary.
- The two vendors that regularly sell to OEMs are both very strict in defining an OEM with respect to:
  - Adding value.
  - Requiring considerably less support.

## B. COMPANIES CONTACTED

### I. FINANCIAL TERMINAL SYSTEMS VENDORS

- Attempts were made to interview personnel from all of the vendors listed in Exhibit II-1.
  - Two vendors refused to answer any questions and no information was obtained after repeated calls.
  - Some of the other vendors required personal visits to the local office for information.
- In all interviews, the systems referenced included teller terminals systems, ATM systems, and, where appropriate, back office systems. The responses generally referred to the ATM systems and repeated contact was necessary to be sure information pertinent to the other system was obtained.
- Half of the respondents had sales organizations management responsibility, as shown in Exhibit II-2.

# EXHIBIT II-1

## FINANCIAL SYSTEMS - COMPANIES CONTACTED

COMPANY	FINANCIAL SYSTEMS REFERENCED
BUNKER RAMO	BCS 90
BURROUGHS CORPORATION	MODULAR TERMINAL SYSTEM, MODULAR DOCUMENT PROCESSING SYSTEM RT 5000 RT 600
DATA SAAB	ITS
DIEBOLD	910, 920
DOCUTEL	TT2300
HONEYWELL- INCOTERM	SERIES 7000
NCR	1700, 1780, 2500 MODULAR TERMINAL SYSTEM 7750 DISTRIBUTED DOCU- MENT PROCESSING SYSTEM
TRW	TELLER-MATIC 8000 TT 140, TT 161



EXHIBIT II-2

FINANCIAL SYSTEMS -  
RESPONDENTS' RESPONSIBILITY

RESPONDENT	RESPONSIBILITY
A	FINANCIAL ACCOUNT REPRESENTATIVE
B	PRODUCT MARKETING MANAGER- BANKING
C	REGIONAL MANAGER
D	REGIONAL MANAGER
E	REGIONAL FINANCIAL INDUSTRY MANAGER
F	MANAGER TELLER TERMINAL MARKETING

- One respondent was a local sales representative specializing in financial systems.
- Two respondents had home office product marketing managerial responsibilities.

## 2. FACTORY MANAGEMENT SYSTEMS VENDORS

- Four vendors were interviewed concerning their marketing of factory management systems and their responses are shown in Exhibit II-3.
- One of the four respondents in Exhibit II-4 had to be visited before any useful information could be obtained.
- Another vendor would only answer through the public relations department. The respondent finally obtained a discount schedule, but little else.

EXHIBIT II-3

FACTORY SYSTEMS-  
COMPANIES CONTACTED

COMPANY	SYSTEMS REFERENCED
DATA PATHING, INC. (NCR)	SYSTEM 15, SYSTEM 150
DIGITAL EQUIPMENT CORP.	DPM - 60
HEWLETT-PACKARD	DATA CAP 1000
HONEYWELL INFORMATION SYSTEMS	FACTORY MANAGEMENT SYSTEM

EXHIBIT 11-4

FACTORY SYSTEMS -  
RESPONDENTS' RESPONSIBILITY

RESPONDENT	RESPONSIBILITY
A	BRANCH MANAGER
B	ACCOUNT REPRESENTATIVE, PRODUCT MARKETING
C	DIRECTOR, PUBLIC RELATIONS
D	SENIOR SALES REPRESENTATIVE



### III FINANCIAL SYSTEMS



### III FINANCIAL SYSTEMS

#### A. QUESTIONNAIRE RESPONSE ANALYSIS

##### I. DISCOUNT POLICIES

- Only two vendors lease directly to end users, as shown in Exhibit III-1.
  - These leases only account for a small portion of their business in financial systems.
  - The other vendors may lease through leasing companies taking the transaction as a sale to themselves.
  - One of the vendors who lease directly to end users mentioned that in-the-wall ATMs are only sold, because if a leased ATM had to be removed from the wall (in the case of a lease not being renewed) there would be hassles as to who (vendor or bank) had to repair the hole in the wall.
- A typical buy for a large bank or financial company ranged from \$300,000 to \$3 million.
- All vendors offer discounts on purchased systems, as shown in Exhibit III-2.

## EXHIBIT III-1

## END USER SALES STATISTICS

R E S P O N D E N T	WHAT PERCENT OF YOUR END USER SALES ARE PURCHASE TRANSACTIONS?		WHAT IS THE TYPICAL BUY QUANTITY FOR THESE KINDS OF SYSTEMS TO LARGE COMPANIES?	
	PERCENT PURCHASE	PERCENT LEASE	PURCHASE	LEASE (ANNUALIZED)
A	100%	-	\$1500K	-
B	80	20%	500K-1500K	\$300K
C	100	-	1000K-3000K	-
D	100	-	300K	-
E	90	10	750K-3000K	100K
F	100	-	500K-1000K	-

EXHIBIT III-2

DISCOUNT POLICIES-1

R E S P O N D E N T	DO YOU OFFER PUR- CHASE/LEASE DIS- COUNTS TO END USERS?				ARE DISCOUNTS AVAILABLE ON TERMINALS ONLY, SYSTEMS ONLY, OR ON EITHER?		
	PURCHASE		LEASE		TERMINALS ONLY	SYSTEMS ONLY	EITHER
	YES	NO	YES	NO			
A	X	-	-	-	X	-	-
B	X	-	-	-	-	X	-
C	X	-	-	X	-	-	X
D	X	-	-	-	-	-	X
E	X	-	-	-	-	X	-
F	X	-	X	-	X	-	-



- Of the two vendors leasing systems directly to end users, one offers discounts on lease contracts.
- Two vendors offer discounts on their terminals only.
  - Two other vendors discount the entire system.
  - The last two will discount the entire system also, but if additional terminals are subsequently ordered to enlarge the system or to replace the old ones, discounts will also be offered on just the terminals.
- One-third of the respondents have unit discount schedules and the other four have schedules based upon the total dollar volume of the order, as shown in Exhibit III-3.
- Most of the vendors offer the discounts as a standard part of their proposals if the dollar volume or quantities are sufficient.
  - One vendor will only offer the discount if forced to by the competition.
  - Another vendor will include the discount routinely in proposals to large banks because they are aware of such practices; small institutions may not be quoted a discounted price immediately if the salesman thinks he can get away with it.
- All vendors have mechanisms for granting discounts that are greater than those on the schedule.
  - The home office is always involved.
  - The discounts are based upon "market dynamics" such as: competition, size of the account, prestige of the account, vendors needs in specific geographical areas, profitability of specific units ordered, etc.

## EXHIBIT III-3

## DISCOUNT POLICIES-2

R E S P O N D E N T	WHAT TYPE OF DISCOUNT DO YOU OFFER?		DISCOUNT AVAILABILITY		CIRCUMSTANCES UNDER WHICH GREATER-THAN- STANDARD DIS- COUNTS MAY BE GRANTED
	QUANTITY	DOLLAR VOLUME	GENER- ALLY AVAILABLE	SELECT- IVELY AVAILABLE	
A	-	X	X	-	MARKET DYNAMICS- THROUGH HEAD- QUARTERS ONLY
B	-	X	X	-	COMPETITIVE NEED
C	-	X	X	-	REMOTE POSSIBILITY- NEEDS HEADQUARTERS APPROVAL - SIGNIFICANT ACCOUNTS - VERY LARGE VOLUME - INTENSE COM- PETITION
D	X	-	X	-	AT LEAST 125 TERMINALS
E	-	X	-	X	OVER THREE MILLION
F	X	-	X	-	MARKET DYNAMICS

- While two vendors claim that additional orders can never be added to installed units in order to obtain a better discount, one vendor admitted it had been done even though it was against "policy."
  - Generally, if the new units are ordered within a year of the previous contract then accumulation is possible to achieve a better price on the new units only, as shown in Exhibit III-4.
- No vendor officially discounts software or offers "effective" discounts, but some vendors kept stressing that that is "policy" and not always "practice."

## 2. CONTRACT PROVISIONS

- In general, as shown in Exhibit III-5, few OEM contracts are offered by these vendors.
  - One vendor has an OEM contract for end users.
  - One vendor has an OEM contract with another vendor on the original list (Exhibit II-1) and they compete in the marketplace.
- OEM discounts are greater than end user discounts, and less support is given the OEM by the vendor.
  - The OEM contracts are custom contracts written for their specific relationship.
- Vendor policies differed greatly as to how discounts are applied to terminal upgrades during the term of the contract.
  - If the dollar volume reached discount levels, then, of course, discount applied.

EXHIBIT III-4  
DISCOUNT POLICIES-3

R E S P O N D E N T	CAN PREVIOUSLY IN- STALLED UNITS BE AC- CUMULATED FOR REACH- ING HIGHER DISCOUNT LEVELS?			ARE SOFTWARE DIS- COUNTS AVAILABLE?				ARE EFFECTIVE DIS- COUNTS OFFERED?	
	NEVER	SOME- TIMES	WHEN	HOST SOFTWARE		DISTRIB- UTED SOFTWARE		1. FREE IN- STALLMENT 2. PREPAID FREIGHT 3. FREE TRAIL 4. EXTENDED WARRANTY 5. OTHER	
				YES	NO	YES	NO	YES	NO
A	-	X	NEW ORDERS WITHIN 18 MONTHS OF PREVIOUS ORDER	-	X	-	X	-	X
B	X	-	POLICY IS NEVER BUT WOULD IF REQUIRED	-	X	-	X	-	X
C	-	X	NEW UNITS ORDERED WITHIN SAME ONE YEAR CONTRACT	-	X	-	X	-	X
D	X	-	-	-	X	-	X	-	X
E	-	X	MARKET DYNAMICS	-	X	-	X	-	X
F	-	X	NEW UNITS ORDERED WITHIN A YEAR OF PRE- VIOUS CONTRACT	-	X	-	X	-	X

# EXHIBIT III-5

## OEM POLICIES

RESPONDENT	HOW CAN LARGE END USERS ACHIEVE OEM STATUS?	ARE OEM TERMS AND CONDITIONS DIFFERENT FROM END USER T & C?	HOW ARE MAINTENANCE PRICES AND PRACTICES AFFECTED BY DISCOUNT CONTRACTS?
A	NO OEM CONTRACT	N/A	NOT AFFECTED
B	NO OEM CONTRACT	N/A	NOT AFFECTED
C	NO OEM CONTRACT	N/A	NOT AFFECTED
D	NO OEM CONTRACT	N/A	NOT AFFECTED
E	NO OEM CONTRACT FOR END USERS; HAS OEM CONTRACT FOR DOMESTIC AND INTERNATIONAL SALES	BIGGER DISCOUNTS, LOWER LEVELS OF SUPPORT, NON-STANDARD CONTRACT	NOT AFFECTED
F	NO OEM CONTRACT FOR END USERS; SOMETIMES FOR SYSTEM HOUSES / SERVICES COMPANIES	HIGHTER DISCOUNT, NO SUPPORT, SALES TO END USERS BY OEM	NOT AFFECTED

- If the dollars aren't great enough, then special negotiations would be necessary.
- Since the customer is "locked in" to the vendor, discounts would tend to be less and perhaps take the form of "effective" discounts rather than a "dollars off" discount.
- One vendor shown in Exhibit III-6 doesn't allow discounts on field upgrade kits.
- Order periods are about 12 months, but can be negotiated to fit special circumstances.
  - One vendor is changing from a six month contract to a 12 month contract.
- Delivery and installation periods are typically 12 months, but some contracts permit extension to 18 months.
- Milestones are always negotiated.
  - One vendor requires strict adherence to the negotiated milestones, demanding payment on delivery and charges for storage if there are any customer-caused shipping delays.
  - In some cases, milestones are for the convenience of the vendor - production lines can be more smoothly scheduled.
- Extension of the original contract with respect to time and quantity can usually be negotiated.
- The question concerning discounts on the purchase option clause of lease contracts could only be answered by the two vendors in Exhibit III-7 that offer leases.



## EXHIBIT III-6

## CONTRACT PROVISIONS-1

RESPONDENT	HOW ARE MODEL UP-GRADERS HANDLED WITH RESPECT TO DISCOUNTS WITHIN THE CONTRACT PERIOD?	WHAT ARE THE ORDER, DELIVERY, AND INSTALLATION PERIODS?			
		ORDER PERIOD	DELIVERY PERIOD	INSTALLATION PERIOD	MILESTONES REQUIRED
A	ALLOWED ON A ONE-FOR-ONE REPLACEMENT OR ADD-ON BASIS	NE-GOTIATED	NE-GOTIATED	NE-GOTIATED	NE-GOTIATED
B	GENERALLY FIELD RETRO-FIT KITS WITH NO DISCOUNTS	SIX MONTHS PRESENTLY ONE YEAR WITH NEW CUSTOMERS			NE-GOTIATED C.O.D AND STORAGE
C	NO POLICY, INDIVIDUALLY NEGOTIATED	12 MONTHS	12 MONTHS	12 MONTHS	NONE CURRENTLY
D	NEGOTIATED AND DISCOUNT USUALLY ALLOWED	6-12 MONTHS	6-12 MONTHS (18 MONTHS)	6-12 MONTHS (18 MONTHS)	NE-GOTIATED
E	MUST BE EQUAL OR GREATER IN VALUE TO QUALIFY FOR DISCOUNT	NE-GOTIATED	NE-GOTIATED 12 MONTHS OF FIRST DELIVERY	NE-GOTIATED	NE-GOTIATED
F	DISCOUNTS ALLOWABLE ON DOLLAR VOLUME BASIS	12 MONTHS BUT	12 MONTHS NEGOTIABLE	12 MONTHS	NE-GOTIATED FLEXIBLE, PRODUCTION ORIENTED

## EXHIBIT III-7

## CONTRACT PROVISIONS-2

RESPONDENT	ARE EXTENSIONS OF THE BASE CONTRACT WITH RESPECT TO TIME OR QUANTITY ALLOWED?			CAN LEASE CUSTOMERS WHO EXERCISE THE PURCHASE OPTION RECEIVE A DISCOUNT ON THE ADDITIONAL MONEY TO BE PAID?	
	NONE	TIME	QUANTITY	YES	NO
A	-	NEGOTIABLE		DO NOT LEASE	
B	-	NEGOTIABLE		UNKNOWN	
C	-	YES BUT "STRONGLY DISCOURAGED"	YES BUT	-	X
D	-	NEGOTIABLE		DO NOT LEASE	
E	X	EXCEPT FOR CONSTRUCTION DELAYS AND STATE APPROVAL DELAYS FOR BRANCHES		DO NOT LEASE	
F	UNKNOWN	UNKNOWN	UNKNOWN	DO NOT LEASE	



- One vendor did know how discounts might apply, and the other claimed that no discounts are available under those circumstances.
- Many respondents felt uneasy when questioned about their companies' warranty provisions.
  - They generally felt the warranty wasn't sufficient and urged customers to accept a maintenance contract as soon as the system was installed, as reported in Exhibit III-8.
- Generally, all parts of the system had the same warranty.
  - One vendor grouped its products by category, and the warranty varied according to the product group.

### 3. SYSTEM MODIFICATIONS

- Prices are protected for the term of the contract if it is a purchase contract.
  - Under a lease contract, the base price is protected for the term of the lease but there is a maintenance rate increase provision, as shown in Exhibit III-9.
- Customers generally benefit if prices drop during the contract period.
- When a new system is announced, rendering obsolete one that is under lease contract or in the process of being installed under a purchase contract, the vendor frequently takes some action to the benefit of the customer.
  - Exhibit III-10 shows that the new equipment can be substituted for the old provided the total revenue is greater with the new.
  - Special trade terms can be negotiated.

## EXHIBIT III-8

## WARRANTY PROVISIONS

RESPONDENT	WHAT IS THE WARRANTY PERIOD?	WHEN DOES THE WARRANTY PERIOD BEGIN?	WHAT ARE THE DIFFERENCES BETWEEN OEM AND END USER WARRANTIES?	IS THE WARRANTY THE SAME FOR ALL DEVICES AND PERIPHERALS WITHIN A SYSTEM OR MAY IT VARY?		IF IT VARIES, HOW IS END USER IMPACTED?
				SAME	VARIES	
A	90 DAYS PARTS	DELIVERY OF EQUIPMENT	N/A	X	-	N/A
B	NONE	N/A	1-OEM UNK	N/A	N/A	N/A
C	1 YEAR PARTS (VAGUE)	INSTALLATION	N/A	-	BY PRODUCT GROUP	VERY LITTLE MAINTENANCE
D	NONE	N/A	N/A	N/A	N/A	N/A
E	90 DAYS	ACCEPTANCE VERIFICATION	N/A	X	-	N/A
F	30 DAYS	CUSTOMER ACCEPTANCE (DATE OF INSTALLATION)	NONE	X	-	N/A

EXHIBIT III-9

PRICE FLUCTUATION PROTECTION

RESPONDENT	HOW IS UPWARD PRICE PROTECTION PROVIDED?	IF PRICES ARE LOWERED AFTER CONTRACT SIGNING, HOW DOES THE CUSTOMER BENEFIT?
A	PRICES FIRM FOR CONTRACT PERIOD (1 YEAR)	GETS LOWER PRICE
B	PURCHASES-ONE YEAR PROTECTION RENTAL/LEASE-PRICES FIRM FOR CONTRACT TERM BUT HAS MAINTENANCE RATE INCREASE PROVISION	GETS LOWER PRICE
C	PROTECTED FOR TWELVE MONTHS ONLY	GETS LOWER PRICE
D	PRICES FIRM FOR CONTRACT TERM	UNKNOWN-HAS NEVER HAPPENED
E	PROTECTED FOR CONTRACT TERM	CUSTOMER DOES NOT BENEFIT
F	CAN PROJECT FOR UP TO EIGHTEEN MONTHS WITH A FIXED PERCENT INCREASE BEYOND	GETS LOWER PRICE

## EXHIBIT III-10

## NEW ANNOUNCEMENTS/OBSOLESCENCE

RESPONDENT	IF A SYSTEM IS OBSOLETE BY THE ANNOUNCEMENT OF A NEW SYSTEM, PLEASE EXPLAIN IF ANY OF THE FOLLOWING ARE CHANGED OR PROVIDED.			
	CONTRACT TERMS AND CONDITIONS	TRADE-INS	UNIQUE RENTAL CONVERSION PLANS	OTHER
A	CAN SUBSTITUTE NEW SYSTEM IF REVENUE IS SAME OR GREATER	CANNOT EXCEED 30% OF NEW EQUIPMENT. SPECIAL POLICY WITH EACH RELEASE	NONE	-
B	MORAL UPGRADES WITHIN SYSTEM ALLOWED	NO FORMAL POLICY	N/A	-
C	MORAL UPGRADES ALLOWED ON UN-INSTALLED EQUIPMENT	ON EXCEPTION BASIS. FUNCTION OF AFTERMARKET	N/A	-
D	UPGRADES AT HIGHER PRICES ALLOWED	CONSIDERED-NO FORMAL POLICY	N/A	-
E	RENTAL - UPGRADES ALLOWED	PURCHASE - TRADE-IN VALUES ON EACH NEW PRODUCT	NO UNIQUE PLANS	HEADQUARTERS WILL REVIEW SPECIAL CONDITIONS - EXCEPTIONS RARE
F	MORAL UPGRADES ALLOWED	NO FORMAL POLICY	N/A	-

- Generally no formal policy exists. If the customer desires special considerations, they can usually be negotiated.

## **B. RESPONDENT DISCOUNT POLICY PROFILES**

### **I. INTRODUCTION**

- The following information organized by individual respondent pulls together the information received in the study with respect to each respondent.
  - In this manner, the flavor of the way each individual does business becomes more apparent.
- All of the list prices shown for each respondent are for a typical ATM.
  - Apparently it was easier to quote ATM prices than teller terminal prices.
- Respondent A accumulates the discounts on a per terminal basis.
  - The discount level price applies to all of the terminals ordered. An order of 17 terminals would be discounted \$3,000 each for all 17 terminals.
- "Special Quote" at the 51-124 unit level means the home office must grant the discount, but there is usually not much hassle.
  - "Special Quote" at the 125+ level indicates that discounts are available for large quantities over and above the basic schedule.
- In general, the profiles are straightforward and require no detailed comments.

## 2. RESPONDENT A

- General policy - All negotiable items are settled by the contract.
- One hundred percent (100%) purchase business.
  - Third party lease arrangements.
  - Third party maintenance arrangements.
- No "effective" discounts.
- Ninety (90) day parts warranty.
  - Try to place customer on maintenance at time of installation.
- List price:

Banking terminal	\$32,000-35,000
------------------	-----------------

Annual maintenance	\$2,600-2,900
--------------------	---------------

- Quantity discounts on terminals only.

<u>UNITS</u>	<u>DISCOUNTS \$</u>
1-4	NONE
5-9	\$2,000/terminal
10-19	1,000 add'l/terminal
20-29	500 add'l/terminal
30-39	500 add'l/terminal
40-49	475 add'l/terminal
50-124	1,000 add'l/terminal
125+	"Special Quote"

### 3. RESPONDENT B

- Generally flexible policy towards most contract terms and conditions.
- Discounts are not firm and are negotiated by sales personnel with head-quarters. Discount determinants are:
  - Competitive situation.
  - Size of order.
  - Prestige of account.
  - System profitability.
- Discounts are selectively offered.
- "Effective" discounts never offered.
  - On occasion, branch will hold onto the certification for billing so a "free period" will exist.
- List Price:

Banking terminal	\$25,000	Annual maintenance	\$2,400
License fee	\$ 6,000	Annual maintenance	\$ 720
Controller	\$11,600	Annual maintenance	\$1,364
- Discounts:
  - 10% maximum on \$1.5 million to \$3.0 million.



#### 4. RESPONDENT C

- Fairly rigid pricing policies.
- Most other contract terms are negotiable.
  - Including special rental terms and trade-in policies.
- Lease discounts are available through third party leasing company.
- Most quantity buyers are aware of discounts, so they are quoted.
  - Small quantity purchases (minimum discount) are quoted list prices at sales representative's discretion.
- "Effective" discounts never officially offered.
  - Submission of installation certificate is sometimes delayed by branch.
  - Special and optional features sometimes not billed.
- Milestones are negotiated as a production scheduling aid.
- List price:

Lobby ATM	\$20,850		
Controller for 2 ATMs	\$16,285	Annual maintenance (Both)	\$3,280



- Dollar volume discounts:

<u>DOLLAR AMOUNT</u>	<u>DISCOUNT PERCENTAGE</u>
\$ 0-174,999	0
175,000-349,999	2%
350,000-824,999	4
825,000-1,649,999	6
1,650,000+	8

5. RESPONDENT D

- Have formalized, third party lease agreement.
- Flexible policy on pricing and contract T&C.
- Additional discounts (higher than on schedule) probably available.
- Have major OEM relationship.
  - Different pricing.
  - Lower levels of support.
  - Different contract T&C.

- List price:

ATM	\$27,500	Annual maintenance	\$3,400 to \$3,600
Controller (for 32 term.)	\$25,000		

- Discounts:

<u>DOLLAR VOLUME(\$)</u>	<u>DISCOUNT PERCENTAGE</u>
\$ 0-149,999	0
150,000-299,999	1%
300,000-599,999	3
600,000-899,999	5
900,000+	7

6. RESPONDENT E

- Wide flexibility at region and district level to adjust prices and policies to meet competition and secure volume business.

- Discounting is common to sales strategy, however, sales people will withhold discount to protect revenues.

- Discounts are by product group.

- Each group has its own schedule.

- Discounts available on lease as well as purchase.

- Warranty is vague.

- Maintenance contract is encouraged from first day of installation.

- List price:

Lobby automatic teller \$17,000

- Discount schedule:

<u>QUANTITY</u>	<u>DISCOUNT PERCENTAGE</u>	
	<u>LEASE %</u>	<u>PURCHASE %</u>
0-1	0	0
2-4	0	2%
5-9	2%	4
10-49	3	6
50-99	4	8
100+	5	10
UNDEFINED MAXIMUM		17.5

- Inscribing equipment discount schedule.

<u>QUANTITY</u>	<u>PURCHASE DISCOUNT %</u>
2-9	2%
10-49	4
50-99	6
100+	8

## 7. RESPONDENT F

- Situation in a state of change.
  - All policies are being evaluated prior to creating a more formal structure.
  - Discount policy was based on units but is being changed to total dollar volume concept.

- Have from time to time entered into OEM arrangements with system houses and/or service companies.
  - Discounts slightly higher.
  - Less support required.
- Pressure from maintenance arm to make warranty start at installation date rather than customer acceptance date.
- List price:
 

Lobby terminal     \$24,000
- Discount schedule:

<u>DOLLAR VOLUME (\$000)</u>	<u>TERMINAL DISCOUNT PERCENTAGE</u>
\$ 200	2%
500	3
750	4
1,000	5
1,250	6
1,500	7



#### IV FACTORY MANAGEMENT SYSTEMS



## IV FACTORY MANAGEMENT SYSTEMS

### A. QUESTIONNAIRE RESPONSE ANALYSIS

#### I. DISCOUNT POLICIES

- Half of the four responding vendors lease directly to end users, as shown in Exhibit IV-1.
  - One emphasizes lease contracts to the extent that 90% of its sales are in leases.
  - The other leases but in a small way - only 10% of its business is in leases.
- The typical quantity buy images between \$500,000 and \$3 million.
  - The typical leased system runs about \$10,000/month.
- Discounts offered, as shown in Exhibit IV-2:
  - On purchase contracts.
  - On lease contracts.



# EXHIBIT IV-1

## END USER SALES STATISTICS

R E S P O N D E N T	WHAT PERCENT OF YOUR END USER SALES ARE PURCHASE TRANSACTIONS?		WHAT IS THE TYPICAL BUY QUANTITY FOR THESE KINDS OF SYSTEMS TO LARGE COMPANIES?	
	PERCENT PURCHASE	PERCENT LEASE	PURCHASE	LEASE (ANNUALIZED)
G	100%	-	\$100K-300K	-
H	100	-	500K-1000K	-
I	10	90%	500K	\$120K
J	90	10	500K	UNKNOWN

# EXHIBIT IV-2

## DISCOUNT POLICIES-1

R E S P O N D E N T	DO YOU OFFER PURCHASE/ LEASE DIS- COUNTS TO END USERS?				ARE DISCOUNTS AVAILABLE ON TERMINALS ONLY, SYSTEMS ONLY, OR ON EITHER?		
	PUR- CHASE		LEASE		TERMINALS ONLY	SYSTEMS ONLY	EITHER
	YES	NO	YES	NO			
G	X	-	X	-	-	-	X
H	X	-	-	-	-	-	X
I	X	-	-	-	-	-	X
J	X	-	X	-	-	-	X

- On terminals or total systems.
- Discounts are generally available to all customers, as shown in Exhibit IV-3.
  - One vendor only discounts when the situation requires, and is also the only vendor offering a dollar volume discount only.
- Greater-than-standard discounts can be granted by one of the four vendors.
  - One other has no firm schedule.
  - The other two couldn't answer the questions.
  - Knowing the nature of this business, INPUT believes that greater discounts than appear on any schedule would be granted if the circumstances to a particular vendor warranted it.
- Previously installed equipment can be used with newly ordered equipment to attain a deeper discount for the new equipment, as shown in Exhibit IV-4.
- One vendor discounts software.
  - Both host and distributed software are eligible for the discount.
- "Effective" discounts are not offered.
  - One vendor doesn't offer them unless asked to include these kinds of items in a proposal, and then only "reluctantly."
- Two vendors are substantial OEM contractors, as shown in Exhibit IV-5.
  - One does not include factory systems in its OEM product list unless they are part of a greater system.

## EXHIBIT IV-3

## DISCOUNT POLICIES-2

R E S P O N D E N T	WHAT TYPE OF DISCOUNT DO YOU OFFER?		DISCOUNT AVAILABILITY		CIRCUMSTANCES UNDER WHICH GREATER THAN STANDARD DISCOUNTS MAY BE GRANTED
	QUANTITY	DOLLAR VOLUME	GENER- ALLY AVAIL- ABLE	SELECT- IVELY AVAIL- ABLE	
G	-	X	-	X	NO FIXED SCHEDULE- EACH ORDER IN- DIVIDUALLY EVALU- ATED - FLEXIBILITY IS KEYNOTE - POLICY WILL PROBABLY BE- COME FIRMER WITHIN A YEAR
H	X	X	X	-	NEEDS HEADQUARTERS APPROVAL
I	X	-	X	-	UNKNOWN
J	X	-	X	-	NO COMMENT

## EXHIBIT IV-4

## DISCOUNT POLICIES-3

RESPONDENT	CAN PREVIOUSLY INSTALLED UNITS BE ACCUM- ULATED FOR REACHING HIGH DISCOUNT LEVELS?		ARE SOFTWARE DISCOUNTS AVAILABLE?				ARE EFFECTIVE DISCOUNTS OF- FERED?	
	SOME- TIMES	WHEN	HOST SOFT- WARE		DISTRIB- UTED SOFT- WARE		1. FREE INSTALL- MENT 2. PREPAID FREIGHT 3. FREE TRAIL 4. EXTENDED WARRANTY 5. OTHER	
			YES	NO	YES	NO	YES	NO
G	X	ANY TIME IT IS CONVENIENT TO DO SO	-	X	-	X	-	OFFICIAL- LY X
H	X	WITHIN CON- TRACT TERM	X	-	X	-	-	X
I	X	WITHIN CON- TRACT TERM	-	X	-	X	-	X
J	X	MARKET DY- NAMICS WITH- IN 12 MONTH CONTRACT TERM	-	X	-	X	-	X

## EXHIBIT IV-5

## OEM POLICIES

RESPONDENT	HOW CAN LARGE END USERS ACHIEVE OEM STATUS?	ARE OEM TERMS AND CONDITIONS DIFFERENT FROM END USER T & C?	HOW ARE MAINTENANCE PRICES AND PRACTICES AFFECTED BY DISCOUNT CONTRACTS?
G	NO OEM CONTRACT	N/A	NOT AFFECTED
H	UNKNOWN	UNKNOWN	NOT AFFECTED
I	NOT WITH THIS PRODUCT LINE. ONLY IF COMBINED WITH OTHER PRODUCT LINES	HIGHER DOLLAR VOLUME DISCOUNT	NOT AFFECTED
J	1. RESALE TO THIRD PARTIES 2. SUBSTANTIAL VALUE ADDED AND THEN RESELLS	DISCOUNTS 10 -15% HIGHER	NOT AFFECTED

- The other vendor has stringent OEM requirements so that it is very rare for a large end user to receive OEM status.

## 2. CONTRACT PROVISIONS

- Exhibit IV-6 show that, in general, a customer is allowed to model upgrades within the contract period and the discount level is not disturbed.
  - One vendor only permits this if production orders for the original terminals have not been issued.
- Contract periods are usually 12 months for ordering and 12-14 months for delivering.
  - One vendor will not permit equipment that is to be delivered beyond 18 months from the order date to be included in the discount calculations.
- Two vendors have very firm milestones with the discount recomputed for failure to meet the milestones.
- The contract can usually be extended if necessary with respect to both time and quantity ordered, as shown in Exhibit IV-7.
- One of the two leasing vendors permits discounts under the purchase option clause with the lease contract.
  - The finance department decides how the discount will be applied and the respondent was unfamiliar with the process.
- Exhibit IV-8 indicates that the usual warranty period is 90 days.
  - One vendor warrants software for one year.



## EXHIBIT IV-6

## CONTRACT PROVISIONS-1

RESPONDENT	HOW ARE MODEL UP- GRADES HANDLED WITH RESPECT TO DISCOUNTS WITHIN CONTRACT PERIOD?	WHAT ARE THE ORDER, DELIVERY, AND INSTALLATION PERIODS?			
		ORDER PERIOD	DELIVERY PERIOD	INSTALLA- TION PERIOD	MILESTONES REQUIRED
G	ALLOWED, PROVIDED PRODUCTION ORDERS HAVE NOT BEEN ISSUED	12 MONTHS	12 MONTHS (18 MONTH EXCLUSION)	NEGOTIA- BLE	1/3 IN 6 MONTHS OR DISCOUNT RECOMPUT- ED
H	ALLOWED UNDER SAME DISCOUNT SCHEDULE, MOST ARE FIELD RETROFITS	NEGOTIA- BLE	NEGOTIA- BLE	NEGOTIA- BLE	NEGOTIA- BLE
I	ALLOWABLE	UNOBTAIN- ABLE	UNOBTAIN- ABLE	UNOBTAIN- ABLE	UNOBTAIN- ABLE
J	NO FORMAL POLICY	12 MONTHS	14 MONTHS	14 MONTHS	40% IN 8 MONTHS OR DISCOUNT RECOMPUT- ED



## EXHIBIT IV-7

## CONTRACT PROVISIONS-2

RESPON- DENT	ARE EXTENSIONS OF THE BASE CONTRACT WITH RESPECT TO TIME OR QUANTITY ALLOWED?		CAN LEASE CUSTOMERS WHO EXERCISE THE PUR- CHASE OPTION RECEIVE A DISCOUNT ON THE ADDI- TIONAL MONEY TO BE PAID?	
	TIME	QUANTITY	YES	NO
G	YES	YES	N/A	N/A
H	YES	YES	NO FIRM POLICY	
I	NOT NORMALLY BUT CAN BE NEGOTIATED		X HOW DISCOUNT IS APPLIED IS DETER- MINED BY FINANCE DE- PARTMENT	-
J	NEGOTIABLE		N/A	N/A

## EXHIBIT IV-8

## WARRANTY PROVISIONS

RESPONDENT	WHAT IS THE WARRANTY PERIOD?	WHEN DOES THE WARRANTY PERIOD BEGIN?	WHAT ARE THE DIFFERENCES BETWEEN OEM AND END USER WARRANTIES?	IS THE WARRANTY THE SAME FOR ALL DEVICES AND PERIPHERALS WITHIN A SYSTEM OR MAY IT VARY?		IF IT VARIES, HOW IS END USER IMPACTED?
				SAME	VARIES	
G	90 DAYS	INSTALL DATE	N/A	-	X	UNKNOWN
H	90 DAYS	INSTALL DATE OR 31 DAYS FROM SHIP DATE	NONE	X	-	N/A
I	90 DAYS	INSTALL DATE	N/A	X	-	N/A
J	90 DAYS - ONE YEAR SOFTWARE	INSTALL OR DELIVERY DATE OR 30 DAYS AFTER DELIVERY	3% - 30 DAY 5% - 90 DAY OF LIST PRICE	X	-	N/A

- The warranty period begins when the equipment is installed or, if installation is inordinately delayed, the warranty period begins 30 days after the equipment is shipped.
- The warranty is the same for all equipment in the system for 75% of the vendors.
  - One vendor claimed it varied but didn't know or wouldn't say how or why it varied.

### 3. SYSTEM MODIFICATIONS

- Prices are protected for the term of the contract by most vendors, as shown in Exhibit IV-9.
  - One vendor insists that delivery take place within 6 months of the order date in order for the price to be the same.
- Generally, the customer benefits if the price is lowered.
- When equipment or systems are announced that render obsolete an existing product line, the vendor frequently makes some provision for purchase contracts that are still open and for lease contracts, as shown in Exhibit IV-10.
  - Customers under lease contracts can usually upgrade their equipment.
  - Open purchase contract customers can usually upgrade still-to-be delivered equipment.
  - Trade-in of old equipment can be negotiated with some vendors.

EXHIBIT IV-9

PRICE FLUCTUATION PROTECTION

RESPON- DENT	HOW IS UPWARD PRICE PROTECTION PROVIDED?	IF PRICES ARE LOWERED AFTER CONTRACT SIGNING, HOW DOES THE CUSTOMER BENEFIT?
G	PROVIDED FOR CONTRACT TERM PROVIDED THERE ARE NO SUBSTANTIAL MODEL CHANGES	GETS LOWER PRICE ON UNSHIPPED UNITS
H	PROVIDED FOR CONTRACT TERM	GETS LOWER PRICE
I	PROVIDED FOR CONTRACT TERM	GETS LOWER PRICE
J	ONLY IF DELIVERY IS SCHEDULED WITHIN SIX MONTHS OF ORDER DATE	GETS LOWER PRICE

# EXHIBIT IV-10

## NEW ANNOUNCEMENTS/OBSOLESCENCE

RESPONDENT	IF A SYSTEM IS OBSOLETE BY THE ANNOUNCEMENT OF A NEW SYSTEM, PLEASE EXPLAIN IF ANY OF THE FOLLOWING ARE CHANGED OR PROVIDED		
	CONTRACT TERMS AND CONDITIONS	TRADE-INS	UNIQUE RENTAL CONVERSION PLANS
G	NO POLICY - USUALLY NEW EQUIPMENT IS HIGHER, OLD IS REDUCED	SPECIAL GROUP TO HANDLE USED EQUIPMENT	N/A
H	UPGRADE IS PROBABLY ALLOWABLE	NO POLICY - MIGHT BE CONSIDERED	N/A
I	UPGRADES ALLOWABLE	SPECIAL QUOTATION	SHORT TERM RENTALS IF NECESSARY
J	NEGOTIATED	NOT ALLOWED PRESENTLY	NEGOTIATED

- One vendor maintains a separate group for used equipment, and the two transactions are kept completely separate (the sale of the old and the purchase of the new equipment).

## B. RESPONDENT DISCOUNT POLICY PROFILES

### I. INTRODUCTION

- The profits section attempts to portray the subjective as well as the factual information obtained during the interview on each respondent.
- Respondent G would not release any information that was not in the press kit.
  - After repeated calls to the company, a discount schedule was obtained.
- The remaining vendors freely gave the pricing and discount information contained in their profiles.
- Respondent H offers short-term rentals to be used in special situations.
- The price list for respondent H indicates which units are eligible for what discount schedule and how many functional units each item carries.
  - It is relatively straightforward for end users, but more complicated for OEMs.
- Respondent I is in the process of formalizing all policies and procedures.
  - The responses to the question reflect the old and new ways of doing business because the company is currently in a transition period.

## 2. RESPONDENT G

- Very "ethical" company.

- Would not release policy or contract information.
- List prices are from press release package.
- Eventually released discount schedule.

- List prices:

### Hardware

Time and attendance	\$ 2,000
Data entry terminal	\$ 1,650
Labor reporting terminal	\$ 2,440

### Software

Factory terminal software	\$ 100/month
Inventory management	\$ 80/month
Production scheduling and control	\$ 100/month

Typical system \$116,000  
(Including minicomputer and 20  
factory data collection terminals)

- Discount schedule:

- End user terminal schedule.



QUANTITYDISCOUNT PERCENTAGE

1-14	0
15-24	9%
25-34	12
35-49	14
50-74	16
75-99	18
100+	19

## 3. RESPONDENT H

- Very strict about OEM qualifications.
- If one-third of the quantities specified in the agreement are not ordered during the first six months then:
  - (1) Quantities are adjusted to three times the amount ordered in the first six months.
  - (2) Then the orders starting the seventh month receive the adjusted discount less two percentage points.
- If 80% of the original quantity is not ordered within the term of the agreement then the succeeding year's discount level is reduced by two percentage points.
- Purchase option discounts are determined on an individual basis by the Finance Administrator.
- There is a short-term rental plan available for use in special situations.
  - Includes maintenance.



- No purchase option.
- Six months - 7.75%/month.
- Twelve months - 5.5%/month.
- Eighteen months - 5.0%/month.

● List price:

Base data collection terminal	\$2,260
With standard options	\$3,000

● Discount schedule:

- Terminal discount schedule.

<u>QUANTITY</u>	<u>END USER DISCOUNT PERCENTAGE</u>
1-4	0
5-7	4%
8-14	7
15-24	10
25-34	13
35-49	15
50-74	17
75-99	19
100-149	20
150-199	22
200-249	23
250-299	24
300+	25

- OEM discount on data collection terminals is 10% higher.

- System discount schedule.

#### DISCOUNT PERCENTAGE

<u>FUNCTIONAL UNITS</u>	<u>END USER</u>	<u>OEM</u>	<u>COMPONENT OEM</u>
1-4	0	5%	15%
5-7	4%	9	19
8-14	7	12	22
15-24	10	15	25
25-34	13	18	28
35-49	15	20	30
50-74	17	22	32
75-99	19	24	34
100-149	20	25	35
150-199	22	27	37
200-249	23	28	38

#### 4. RESPONDENT I

- Currently very flexible policy toward contract terms and conditions, pricing and discounting.
  - Have met competition and have secured high volume business.
  - Trend is toward formal, firm pricing, discount, and policy structure.
- Discounts are not generally available or quoted by sales representative.
  - All discounts are developed when necessary by the home office.
- Stress leasing in sales thrust.

- One, three, and five year leases available.
- Claims no "effective" discounts.
  - Admitted flexible policy does allow them, but they are rarely given.
- List prices:

	<u>LEASE (Ex. Maint.)</u>	<u>PURCHASE</u>	<u>MAINTENANCE</u>
Terminal	1 year \$49/month 3 year \$43/month 5 year \$38/month	\$ 1,800	\$16/month
CPU	1 year \$864/month 3 year \$768/month 5 year \$672/month	\$32,000	\$500/month

- Discount schedule:
  - No fixed schedule, the guidelines were:
 

. \$500,000-1,000,000	5-10%
. Approximately \$1,500,000	Approximately 15% max.
. Larger systems	Additional discounts available
  - Would not release lease discount guidelines.

## 5. RESPONDENT J

- Well-defined pricing policy.
  - Optimizes benefits to customers.

- Strict OEM policies.
  - Factory data collections system is not eligible for OEM status unless it is submerged in another system and resold.
- Milestones.
  - Within eight months of the effective date of the contract, 40% of the total specified quantity must be delivered or the discount will be appropriately decreased retroactively.
  - If a quantity level is missed by the expiration of the contract, the discount is retroactively decreased.
  - If a quantity level is exceeded, the discount level is retroactively increased.
- Trade-ins.
  - Special vendor group evaluates equipment in terms of aftermarket demand and arranges for trade-ins.
  - Has nothing to do with sales organization. These are two separate transactions.
- List Prices:

	<u>PURCHASE</u>	<u>MAINTENANCE</u>
Time and attendance station	\$ 3,500	\$ 42/month
CPU and some peripherals	\$61,480	\$436/month

- Discount schedules:

- Unit volume discount schedule.

<u>NUMBER OF UNITS</u> (as specified in Price List)	<u>DISCOUNT PERCENTAGES</u>
--	-----------------------------

1	0
2-4	2%
5-9	5
10-19	8
20+	Special Quote

<u>NUMBER OF TERMINAL UNITS</u> (see Price List)	<u>DISCOUNT PERCENTAGE</u>
---	----------------------------

1-19	0
20-49	5%
50-99	10
100-199	16
200-349	20
350-499	21
500+	22

- Dollar volume discount schedule.

<u>AGGREGATE DOLLAR VALUE (\$000)</u>	<u>DISCOUNT PERCENTAGE</u>
---------------------------------------	----------------------------

less than \$ 500	0
greater than 500 but less than 750	5%
greater than 750 but less than 1,000	6
greater than 1,000 but less than 1,500	8
greater than 1,500 but less than 2,000	11
2,000 and over	Special Quote

- Software is eligible for discounts and is added into total dollar volume or number of units as specified in price list.



## APPENDIX: QUESTIONNAIRE





## SPECIALTY TERMINAL MARKETING STUDY

INPUT, a computer industry market research firm, is currently studying the market structure and price policies prevalent in the banking terminal (factory data collection) system marketplace. We are particularly interested in volume sales of your \_\_\_\_\_ systems. When the report is completed you will receive a summary of the study in return for your participation.

All information is statistically combined, held strictly confidential and no companies or respondents are ever identified.

1. Do you sell banking systems (factory data collection systems) directly to end users?

( ) YES ( ) NO

2. What percent of these end user sales are initially purchase transactions versus direct lease transactions?

( ) % PURCHASE ( ) % LEASED BY YOU

3. What is the typical buy quantity for these kinds of systems to large companies?

TYPICAL BUY UNDER LEASE CONTRACT ( )

TYPICAL BUY UNDER PURCHASE CONTRACT ( )

- 4a. Do you offer discounts to end users on quantity purchases or leases of these banking (data collection) terminals and systems?

LEASES ( ) YES ( ) NO

PURCHASES ( ) YES ( ) NO

- 4b. If yes, are the discounts available on a quantity purchase of terminals to attach to a different manufacturer's mainframe or must a complete system be purchased in order to obtain the discount?

( ) TERMINALS ONLY ( ) TOTAL SYSTEM ONLY

( ) EITHER

- 4c. If yes to 4a, are the discounts determined by the quantity purchased, the dollar volume of the order or by some combination of the two?

☐ QUANTITY ONLY      ☐ DOLLAR AMOUNT ONLY

☐ COMBINATION OF BOTH OR OTHER MEANS,  
PLEASE DESCRIBE.

- 4d. May I have the list prices and the discount schedule for the following terminals/systems?

\*Interviewer, fill out separate price schedule sheet for each terminal/system.

5. Are these discounts available to any volume buyer or are they only available on selective bids.

☐ GENERALLY AVAILABLE      ☐ SELECTIVELY AVAILABLE

6. Please explain the circumstances under which greater than standard discounts may be granted.

7. Are previously installed units counted along with a current purchase in order to qualify for a particular discount level?

( ) ALWAYS ( ) NEVER ( ) SOMETIMES, DESCRIBE

8. What discounts are applied to either host or distributed software?

NO DISCOUNTS APPLIED TO:

( ) HOST ( ) DISTRIBUTED SOFTWARE

HOST SOFTWARE DISCOUNTS \_\_\_\_\_

DISTRIBUTED SOFTWARE DISCOUNTS \_\_\_\_\_

9. Under what circumstances are "effective" discounts offered?

"EFFECTIVE" DISCOUNTWHEN OFFEREDNEVERCIRCUMSTANCES

Free Installation

( )

Prepaid Freight

( )

Free Trial Period

( )

Extended Warranty Period

( )

Other \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

- 10a. Under what conditions can a large end user achieve OEM status?
- 10b. How do OEM discounts, and terms and conditions differ from end user T&C?
- 11. How are maintenance prices and practices affected by discount contracts?
- 12. How are model upgrades handled with respect to discounts during the contract period?
- 13. What are the order, delivery and installation periods?
- 14. What milestones, if any, are required?

15. Are extensions of the base contract with respect to the time and/or quantity allowed?

☐ NONE ☐ TIME ☐ QUANTITY

16a. How is upward price protection provided?

16b. If prices are lowered after contract signing, how does the customer benefit?

☐ DOESN'T BENEFIT

17a. Can lease customers who exercise their purchase option receive a discount on the money to be paid after the accruals have been deducted?

☐ YES ☐ NO

17b. If yes, please describe the discount schedule and procedures.

18a. What is the warranty period?

18b. What event marks the beginning of the warranty period.



- 18c. Please explain the warranty differences, if any, between an end user sale and an OEM sale?

☐ NO DIFFERENCE

- 18d. Is the warranty the same for all devices and peripherals within a system or may it vary?

☐ SAME    ☐ VARIES

- 18e. If it varies, what impact does it have on the end user?

19. If a system is obsoleted by the announcement of a new system, please explain if any of the following are changed or provided:

Contract Terms and Conditions

Trade-Ins

Unique Rental Conversion Plans

Other

20. Please send me copies of your contracts discount schedules and price lists for both end users and OEMs.

THANK YOU

## DISCOUNT SCHEDULE

MANUFACTURER:

SYSTEM NAME AND MODEL: -

TERMINAL MODEL NO.:

BASE LIST PRICE:

LEASEPURCHASEMAINTENANCE

(Maintenance Included)

YES ( ) NO ( )

OPTIONS AND FEATURES INCLUDED IN ABOVE BASE PRICES.

DISCOUNT BREAKPOINTSDISCOUNT PERCENTAGE



